

Conducting international business in an ethical manner

Business



**ASSIGN
BUSTER**

It sells the reusable car parts at low cost to international customers and processes the remaining scrap. With the growing global interest in sustainable business practices, Panting Steel's profits have risen considerably, and it has expanded into new international markets for purchasing scrap metal and selling its products. It has a strong business code of conduct and is committed to conducting global business in a professional and ethical manner. Managers and employees are encouraged to take personal responsibility for ensuring that Panting Steel's business code of conduct is adhered to.

The company has even set up a confidential hotline for employees to report any suspicions they have of unethical behavior. Making new deals in China the scrap metal market in Asia has become increasingly profitable in recent years. To take advantage of this, Panting Steel purchased a scrap metal processing company in South Korea called KIN International. This takeover provided Panting Steel with an Asian base without having to make substantial investments in new manufacturing sites and processing equipment.

All Ken's managers and employees were retained after the takeover, and Panting Steel sent over two senior US employees to oversee operations and make sales. A new way of doing business where US employees were treated very hospitably by the KIN team and worked hard to forge business links and develop interest in Panting used car parts and reprocessed steel.

They targeted other companies in South Korea, as well as steel mills and car parts dealers in Japan and China. Representatives from a Japanese company,

Hokiest, a refurbished car parts dealer, were invited to South Korea to meet with Rankings management team.

Hokiest wanted to negotiate a business deal in which KIN, as a subsidiary of Panting, would become Hookworm's preferred supplier. The business negotiations went very well, and Ken's management suggested that Hookworm's representatives would enjoy a day of golfing at Ken's golf club at their expense. Panting two US employees agreed that this would be a nice gesture, although a very expensive one, and also arranged for business dinners that evening. The following day, as Hookworm's representatives were leaving for the airport, they were presented with gifts of perfume to take to their wives.

They reciprocated with several gifts they had brought from Japan. One US employee grew concerned about this, but was reassured that, in Asia, important relationships were always cemented with gifts. Panting Steel's US employees also visited a steel mill in China to discuss the export of processed steel products. The management of the mill were very impressed with Rankings prices and the quality of the processed steel pieces. They were also aware of Ken's excellent business reputation and eager to do business with Panting subsidiary.

However, the Chinese management explained that they would find importing the processed steel from South Korea problematic. They informed Rankings representatives that, when they had imported steel previously, customs officials regularly requested a substantial payment in order to process the shipments in a timely fashion. These facilitation payments would result in

<https://assignbuster.com/conducting-international-business-in-an-ethical-manner/>

Panting Steel's prices to being such a good deal for the steel mill after all. Disheartened, the Panting Steel employees returned to South Korea and discussed the meetings with their KIN counterparts.

The KIN managers were clear about what action should be taken. They proposed making annual payments of \$50, 000 to the managers of the steel mill to cover future facilitation payments to Chinese customs officials.

One US employee was adamant that this would be bribery and could not happen. The other employee pointed out that the payment was to cover facilitation payments and so was not illegal. It was obviously a small price to pay to do business in Asia. Case Study Discussion Questions 1 .

Did Panting Steel Inch's employees or the managers of KIN act in an unethical or illegal manner at any time during the visit from Hookworm's representatives? Explain {Our reasoning.

2. Should Panting Steel follow the advice given by KIN managers to make a payment to the owners of the Chinese steel mill? Explain your reasoning. 3. Mould it be illegal or unethical for Panting Steel or KIN to make facilitation payments to customs officials? 4. What action should Panting Steel take to ensure that its business activities in Asia meet its strong business code of ethics?